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and through collaboration with
community and university partners.*



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March 12, 2013

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**L.A. CARE HEALTH PLAN AND RELATED INITIATIVES
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT

Request authorization to implement a pilot health care initiative to provide coverage for uninsured children, and delegate authority to execute contract amendments to various agreements to meet the administrative, operational and fiscal needs of the County of Los Angeles, Department of Health Services and to enter into an agreement with L.A. Care to assist in the transition of the County's Healthy Way LA Matched Program to Medi-Cal Managed Care under the Patient Protection and Affordable Care Act.

IT IS RECOMMENDED THAT THE BOARD:

1. Authorize the Director of Health Services (Director), or his designee, to implement a pilot health care initiative (tentatively called Healthy Way LA [HWLA] Kids) for children ages six to eighteen, previously covered under the L.A. Care Health Plan's (L.A. Care) Healthy Kids Program, to the County of Los Angeles, Department of Health Services' (Department or DHS) Ability-to-Pay (ATP) and Outpatient Reduced-Cost Simplified Application (ORSA) programs and temporarily waive the share of cost fees for those above the 133 percent Federal Poverty Level (FPL), for ambulatory and emergency room care, hospitalizations and prescription drugs provided at DHS facilities, and nurse advice line services, effective upon Board approval through February 28, 2014.

2. Delegate authority to the Director, or his designee, to negotiate and execute an amendment to McKesson Health Solutions LLC (McKesson) Agreement H-703016 to expand the provision of Nurse Advice Line (NAL) services to HWLA Kids, at existing contract reimbursement rates, and terms and conditions, at an estimated cost of \$100,000, subject to review and approval by County Counsel and notification to the Board and the Chief Executive Office (CEO).
3. Delegate authority to the Director, or his designee, to execute additional amendments to Participating Provider Agreement No. H-704704 and Hospital Services Agreement No. H-704703 (collectively called Provider Agreements) between DHS and L.A. Care to: (a) reflect new rates as a result of rate changes made by the State, (b) adjust existing rates due to transfer between the parties of the financial responsibility to provide or pay for medical and other covered services, changes in assumption of delegated functions (e.g., utilization management, credentialing, claims processing), and/or change in financial risk arrangement (e.g. full risk, shared risk, modified or combination risk); with any work and services to be performed/provided, or arranged by L.A. Care with reimbursement from the County to be at no more than cost (actual cost, or estimated cost if calculated and paid through an adjustment to DHS' monthly capitation payment), up to a maximum period of twelve months, (c) update and/or incorporate new State/Federal law and other regulations, (d) make appropriate changes to contract language for clarity, (e) add the Medicare Advantage Program and Medicare/Medi-Cal beneficiaries under the State Dual Eligible Pilot Program at market rates, and (f) extend the term of the Provider Agreements on a month-to-month basis, not to exceed six months, subject to prior review and approval by the County Counsel and thirty days prior written notification to the Board and the CEO.
4. Delegate authority to the Director, or his designee, to negotiate and execute a one year HWLA Administrative Services Support Agreement with L.A. Care (e.g., member outreach/retention strategies, provider network and communication strategies, and other services as may be agreed to by both parties) to assist DHS in transitioning the HWLA Matched Program population into L.A. Care's Medi-Cal Managed Care Program Direct on or before January 1, 2014 at DHS or LA Care cost, whichever is lower, up to a maximum of \$500,000, subject to review and approval by the County Counsel and notification to the Board and the CEO.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Healthy Way LA Kids

The request for approval of the first recommendation is a result of L.A. Care's recent announcement that it will no longer continue health benefits coverage for approximately 10,000 children ages six to eighteen under its Healthy Kids Program, leaving this population uninsured.

It is expected that around 6,000 of these children who receive their care from L.A. Care contracted private providers will lose access to health care services since the majority of these private providers will not continue care for this population; the remaining 4,000 children are expected to continue their care with a new or existing community clinic provider.

Over 80 percent of the 6,000 children are under the 133 percent FPL, but the remaining 20 percent are from households with income that range from 134 percent to 300 percent FPL. It should be noted that these children already meet the eligibility criteria for DHS' ATP and ORSA programs so the pilot initiative allows for an orderly method to outreach and for these children to apply and begin receiving care at DHS.

DHS is working closely with L.A. Care to assume the care of as many of these children as possible who no longer have a regular provider and is prepared to welcome these kids into the County's ATP and ORSA programs, effective upon the Board's approval as a pilot program through February 28, 2014. The health coverage to be provided the HWLA Kids will be similar to the medical services provided under the ATP and ORSA programs, which include access to ambulatory and emergency room care, hospitalizations and prescription drugs provided at DHS facilities. In addition to this basic medical coverage, DHS will also seek to provide these children access to NAL services through McKesson. Under the pilot program, DHS intends to honor the beneficiaries' prior financial eligibility screening with L.A. Care and therefore, DHS is requesting a temporary waiver of the financial screening for a period of one year to facilitate the transition. DHS is also seeking approval to waive the share of cost for members above the 133 percent FPL. At the end of the pilot period, should the determination be made to continue the pilot initiative in some form, DHS would perform the standard eligibility and income re-determination of all these new patients who receive care with DHS. This pilot program will also provide the Department with data and information to inform future decisions about how to structure or pay for indigent care, e.g., whether to continue services under the Department's existing ATP and ORSA programs or other financial structures, which the DHS will report back to the Board for consideration and approval.

As noted above, it is expected that the remaining 4,000 uninsured children will continue their care with their existing community clinic provider or choose another community provider who is part of the DHS HWLA Uninsured Program provider network.

The total estimated amount to cover the cost of providing health care services to the 10,000 children who will access DHS and community clinics under the HWLA Uninsured Program is \$582,000 for outpatient services.

Amendment to McKesson Agreement

Approval of the second recommendation will permit the Department to amend the current McKesson agreement to include provision of NAL services to uninsured children as part of the HWLA Kids pilot implementation described above. In the event that services to the HWLA Kids cannot be supported within the current maximum obligation in the McKesson Agreement, DHS will exercise its delegated authority, approved by the Board on November 7, 2007, to increase the maximum obligation in an amount not to exceed \$100,000.

Provider Agreements

As the 2014 implementation of the Patient Protection and Affordable Care Act nears, DHS is working under a strict timeframe to establish the necessary processes, systems and infrastructure. DHS in its unique partnership with L.A. Care continues to identify opportunities and resources that can be directed towards patient care and maximize operational efficiencies. The third and fourth recommendations reflect the DHS and L.A. Care efforts that the Department is seeking the Board's approval in order ensure timely implementation of initiatives and completion of related contracting requirements. In addition, the Department is currently in active discussions with L.A. Care for purposes of determining the ability for DHS to utilize L.A. Care's managed care system for the

potential purpose of claims processing, eligibility verification, enrollment and other managed care functionalities.

Approval of the third recommendation is consistent with the February 22, 2012 Board Memo: Status Report on Negotiations with L.A. Care (Attachment I) and attached for reference. The Department previously indicated that as DHS gains operational experience with the management of Seniors and Persons with Disabilities (SPDs), the Provider Agreements with L.A. Care will need to be regularly amended going forward as opportunities arise to improve operational efficiencies between entities. In addition, the Status Report also stated that the Provider Agreements would need to be amended at least every time the State changes the rates for one of the specific programs and when the final processes for financing the SPDs are negotiated with the State. Further, the Status Report stated that the Provider Agreements would need to be amended to add Medicare/Medi-Cal (dual eligible) should the State proceed with the Duals Demonstration project; and for any changes in contractual arrangements related to the In-Home Supportive Services Program. Any amendment adding the Medicare Advantage and Dual Eligibles Programs will be at market rates, taking into account the Programs' overall financial impact to the Department, subject to review by the CEO.

Approval of this recommendation will also permit the Director to amend the Provider Agreements to comply with changes in State/Federal law and regulations, County and other regulatory or contractual requirements, including the California's Section 1115 Medicaid Waiver and Healthcare Reform; and make necessary changes to clarify contract language.

Lastly, the recommendation will also allow the Director to extend the term of the Provider Agreements, if necessary, on a month-to-month basis, not to exceed six months, to enable DHS and L.A. Care to complete work on negotiating and executing new/replacement provider agreements without having the term of the current Provider Agreement lapse.

HWLA Administrative Services Support Agreement

As indicated in the DHS January 15, 2013 Board Memo: Quarterly Status Report on Healthy Way LA Enrollment and the 1115 Medicaid Waiver, (Attachment II), DHS has received information from the State Low Income Health Plan (LIHP) administrator that it was time to begin planning for the LIHP transition into managed care on or before January 1, 2014. Approval of fourth recommendation will enable DHS to enter into the necessary contractual arrangement in place with L.A. Care to effectuate a seamless and efficient transition of HWLA Matched patients to L.A. Care's Medi-Cal Managed Care Program Direct, with the primary goal of maintaining existing patient relationships with DHS and Community Partner providers.

Implementation of Strategic Plan Goals

The recommended actions support Goal 2, Fiscal Sustainability and Goal 3, Integrated Services Delivery of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

Healthy Way LA Kids

The estimated cost to implement the HWLA Kids pilot is \$582,000 for outpatient services. Some services may be billed and reimbursed under the Child Health and Disability Prevention (CHDP) and California Children's Services (CCS) programs, thus recouping and reducing the DHS total pilot program implementation costs.

Upon completion of the HWLA Kids pilot, DHS will report back to the Board to provide outcomes of the initiative, including actual costs incurred, and make recommendations whether to continue providing services under the existing County ATP and ORSA programs or other financial mechanism for the Board's approval.

Nurse Advice Line - McKesson Agreement

The Department will closely monitor access by HWLA Kids to the McKesson NAL services agreement. Should it be determined that there is a significant increase in the NAL usage, DHS will amend the agreement accordingly to increase the contract maximum obligation amount by an amount not to exceed \$100,000.

Provider Agreements

The Provider Agreements are intended to maximize revenue needed to support the Department as a safety net provider, under which DHS is assigned L.A. Care Members and have their care at DHS.

HWLA Administrative Services Support Agreement

Reimbursements for one year of HWLA administrative support services with LA Care will be at the lower of DHS or L.A. Care cost for performing member outreach/retention strategies, provider network and communication strategies, and other services as may be agreed to by both parties, up to a maximum of \$500,000.

Funding for the services described above is included in the Fiscal Year 12-13 Final Budget and will be requested in future years as necessary.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

HWLA Kids

In 2012, L.A. Care elected to cease offering its Healthy Kids Program for children ages six to eighteen effective February 28, 2013. On February 15, 2013, L.A. Care sent a letter to its Healthy Kids beneficiaries informing them that the County may be establishing a pilot program to offer similar services at DHS facilities to those services covered under the Healthy Kids Program. The letter included a postage-free postcard to return back to DHS for those persons interested in such a pilot program.

Provider Agreements

On March 1, 2011, the Board granted delegated authority to the Director to negotiate and execute Provider Agreement for SPDs with L.A. Care as required under the California 1115 Waiver, and became effective 2) agreements, namely: Participating Provider Agreement H-704704 and Hospital Services Agreements were executed and became effective May 1, 2011 through September 30, 2014.

Subsequently, both agreements were amended during the period May 2011 through April 2012 to add other L.A. Care Managed Care Programs, e.g. Medi-Cal Non-SPDs, Healthy Families Program, In-Home Supportive Services Programs, DHS Medical Hub services, and other changes in financial responsibility and delegation functions.

The most recent Amendment to the Participating Provider Agreement was effective August 1, 2012. This Amendment covered administrative and operational changes in Utilization Management functions delegated by L.A. Care to DHS in order to improve processes of obtaining out-of-network service authorizations and utilization review for Medi-Cal Managed Care Program Members.

McKesson Agreement

On November 27, 2007, the Board approved the agreement with McKesson for the provision of nurse advice line, disease management, complex case management and wellness program services for HWLA enrollees and Community Health Plan (CHP) members. At that time, the Board also delegated authority to the Director to execute future amendments to, among other things, increase the maximum obligation not to exceed fifteen percent of the original maximum obligation over the term of the Agreement, including extensions thereof if exercised, to provide services for additional HWLA enrollees.

On July 26, 2011, the Board delegated authority to DHS to execute amendments and contract assignments/delegations to transition all CHP lines of business to L.A. Care and subsequent transition of CHP members to L.A. Care. The most recent amendment to this agreement memorialized the exclusion of CHP access to the McKesson agreement effective February 1, 2012.

The current agreement with McKesson expires on December 31, 2013 although either party may terminate agreement, without cause; by giving the other party at least 60 calendar days advanced written notice.

CONTRACTING PROCESS

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Successful implementation of recommendations, consistent with the policy recommendations approved by the Board on March 30, 2011, is part of the overall restructuring of DHS ambulatory care, and as part of DHS' plan to reallocate resources and attention to meet the needs under the 1115 Waiver and preparing Los Angeles County for the implementation of the Patient Protections and Affordable Care Act in 2014.

The Honorable Board of Supervisors

3/12/2013

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mitchell Katz". The signature is fluid and cursive, with the first name "Mitchell" written in a larger, more prominent script than the last name "Katz".

Mitchell H. Katz, M.D.

Director

MHK:ln

Enclosures

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors